



**LETSHEGO HOLDINGS LIMITED**

Incorporated in the Republic of Botswana Co. BW00000877524 (the "Company")

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**NOTICE TO SHAREHOLDERS**

**Moody's affirms Letshego Holdings Limited issuer rating at Ba3, reducing the Group's corporate family rating by one notch to Ba3, reflecting macro economic challenges in select markets, with outlook negative**

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**Gaborone, BOTSWANA - Friday 04 December 2022:** Following Moodys Rating Release for Letshego Holdings Limited, the Group has affirmed its issuer rating at Ba3, with regional macro economic challenges resulting in a 'one notch' downgrade of the Group's corporate family rating to Ba3.

Moody's has affirmed Letshego's issuer rating at Ba3, showing Letshego's commitment in improving the funding structure through its deliberate strategy to reduce secured debt and reduce structural subordination for its listed instruments.

The downgrade of the Group's Company Family Rating ("CFR") is driven by prevailing macroeconomic challenges that have significantly impacted select regional markets. This is demonstrated by inflationary pressures, rising interest rates and an increasing burden on sovereign debt levels which has inturn put pressure on some of our operations in these affected markets.

**Group Chief Executive, Aupa Monyatsi added,** *"Letshego's business fundamentals remain strong, reflected in Moody's affirming and maintaining Letshego's corporate issuer rating at Ba3, for 11 years. With markets, like Ghana, experiencing a Moody's downgrade in long term issuer ratings, we remain steadfast in weathering downside economic conditions by maintaining business resilience and progressive execution of our Group Transformation Strategy."*

**Friday 2 December 2022**

**Sponsoring Broker**

**AOBAKWE AUPA MONYATSI**

Group Chief Executive, Letshego Holdings Limited

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## MOODY'S RELEASE



### Rating Action: Moody's downgrades Letshego's corporate family ratings and affirms issuer ratings at Ba3; outlook negative

02 Dec 2022

London, December 02, 2022 -- Moody's Investors Service ("Moody's") has today downgraded the corporate family ratings (CFR) of Letshego Holdings Limited (Letshego) to Ba3 from Ba2 and affirmed its long-term issuer ratings at Ba3. The outlook on Letshego changed to negative from stable.

The downgrade of the CFR primarily reflects the deterioration in the operating environment across some of the main Sub-Saharan African countries where Letshego operates, capturing both the fragile macro conditions and increased industry risks. These more challenging conditions will weigh on Letshego's earning generation and asset quality metrics. More positively, the affirmation of the issuer ratings reflects the declining portion of secured funding as a percentage of total funding, which will neutralize structural subordination concerns for unsecured creditors, and allows Moody's to place the issuer ratings on par with the CFR.

A full list of affected ratings is at the bottom of the press release. RATINGS RATIONALE  
-- DOWNGRADE OF THE CFR

According to Moody's, the downgrade of Letshego's CFR primarily captures the deteriorating macroeconomic conditions and rising industry risks. More specifically, Sub-Saharan African economies are faced with subdued economic growth, rising interest rates, and high inflation and government debt. The IMF projects an average Sub-Saharan Africa inflation rate of 11.9% in 2023, with the government debt currently at around 56% of the region's GDP. [1]

According to the rating agency, industry risks have also been rising due to increased competition in some of the areas where Letshego operates – both from incumbent banks and new fintech companies – and increased regulatory risks and consumer protection initiatives. Affordability rules are increasingly in focus in numerous countries, concerns around the adequacy of anti-money laundering regulatory deficiencies are rising, while increased use of digitalization and on-line products further increases cybersecurity risks.

The deterioration in the operating environment is also impacting Letshego's financial metrics and further raises vulnerabilities and risks. The company's bottom-line profitability decreased by 18% during H1 2022 and its problem loans ratio increased to 7.2% of gross loans as of June 2022 (2021: 5.9%).

Against these risks, the rating agency notes that Letshego's financial metrics remain resilient, with the tangible common equity-to-assets ratio at 29.7% as of June 2022, return on assets of 3%, while it continues to broaden its funding sources to include development finance institutions, banks, deposits and funding from regional capital markets.

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#### --- AFFIRMATION OF ISSUER RATING

According to Moody's, the decision to align the issuer ratings with the CFR reflects the rating agency's forward looking view of the steady reduction in the structural subordination of unsecured obligations. Moody's expects the secured debt to reduce further in the outlook horizon – to below 5% of total funding – which will neutralize structural subordination concerns for unsecured creditors.

#### NEGATIVE OUTLOOK

The negative outlook captures the risk of a further deterioration in the operating environment in specific countries including Ghana, Kenya and Uganda, that will further pressure Letshego's financial performance and metrics. The negative outlook also incorporates the risk that the portion of secured debt will not decline in line Moody's expectations.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Any upward rating pressure on Letshego's ratings is limited given the negative outlook. The company's ratings could change back to stable if operating environment conditions do not deteriorate further and Letshego maintains adequate profitability, sound capital metrics and problem loans stabilise and remain in line with Letshego's risk appetite.

Letshego's ratings could be downgraded if operating conditions deteriorate further and pressure Letshego's financial metrics, especially its asset quality, capital and funding profile. Letshego's issuer ratings could also be downgraded if the secured portion of its debt shows no further reduction or even increases, which would lower the recovery rate for senior unsecured debt classes.

#### LIST OF AFFECTED RATINGS

..Issuer: Letshego Holdings Limited

Affirmations:

.... Short-term Issuer Ratings, Affirmed NP

.... Long-term Issuer Ratings, Affirmed Ba3

Downgrades:

.... Long-term Corporate Family Ratings, Downgraded to Ba3 from Ba2 Outlook Actions:

.... Outlook, Changed To Negative From Stable

#### PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Finance Companies Methodology published in November 2019 and available at <https://ratings.moodys.com/api/rmc-documents/65543>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

#### REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://ratings.moodys.com/documents/PBC\\_1288235](https://ratings.moodys.com/documents/PBC_1288235).

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on <https://ratings.moodys.com>.

#### REFERENCES/CITATIONS

[1]. [https://www.imf.org/en/Publications/REO/SSA/Issues/2022/10/14/regional-economic-](https://www.imf.org/en/Publications/REO/SSA/Issues/2022/10/14/regional-economic-outlook-for-sub-saharan-africa-october-2022)

[outlook-for-sub-saharan-africa-october-2022](https://www.imf.org/en/Publications/REO/SSA/Issues/2022/10/14/regional-economic-outlook-for-sub-saharan-africa-october-2022)

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